

**MINUTES OF A MEETING
KENTUCKY WORKERS' COMPENSATION FUNDING COMMISSION
BOARD OF DIRECTORS**

September 22, 2021

Opening of Meeting:

1. A regular meeting of the Board of Directors, Kentucky Workers' Compensation Funding Commission was held via Zoom video conference on September 22, 2021, Frankfort, Kentucky. Madam Chair Judy Long called the meeting to order.
2. Ms. Angela Calloway announced the meeting will be recorded in accordance with Kentucky Revised Statute 61.835.
3. Madam Chair Long verified the press notice and asked for a roll call.

Directors Present:

4. Judy Long, Self-Insured Employers Representative
Jamie Link, Secretary, Labor Cabinet
Ryan Barrow, Designee for Secretary Holly M. Johnson, Finance & Administration Cabinet
Tim Feld, Insurance Advisory Organization Representative
Mark Isaacs, Labor Representative
Katie Smith, Designee for Secretary Larry Hayes, Cabinet for Economic Development

Others Present:

5. Lisa King, Executive Director, KWCFC
Olivia Orrender, Audit Review Manager, KWCFC
Kim Hay, Director, Fiscal Operations, KWCFC
Marcus Roland, General Counsel, KWCFC
Angela Calloway, Fiscal Services Officer, KWCFC
Lisa Fernandez, Fiscal Auditor, KWCFC
Ryan Robinson, Insurance Compliance Auditor, KWCFC
David Rogan, Director of Portfolio Management, Conning Inc.
Solomon Frazier, Senior Consulting Actuary, Taylor-Walker Consulting, LLC
Allen Norvell, Director, Blue & Co., LLC
Ryan Adams, Manager, Blue & Co., LLC
Robert Walker, Interim Commissioner, Department of Workers' Claims
Ed O'Daniel, Attorney
Andrew Manno, LRC
Kara Smothermon, OSBD
Prentice Harvey, AIG
Dustin Miller, AIG

Allison Helsinger, Moore, Ingram, Johnson & Steele

Approval of Minutes:

6. Mr. Mark Isaacs made a motion to approve the July 21, 2021 Regular Meeting Minutes. Secretary Jamie Link seconded the motion. Motion carried.

Actuary Report: Solomon Frazier, Taylor-Walker Consulting LLC

7. Mr. Solomon Frazier presented the actuarial analysis of the Special Fund, the Coal Workers' Pneumoconiosis (CWP) Fund and Uninsured Employers' (UEF) Fund. The presentation provided analysis and trends to assist the Board with its requirement to set the 2022 Special Fund Rate and Coal Assessment Rate. Mr. Frazier asked for questions and said they were available if other questions or concerns arose.
8. Mr. Tim Feld made the motion to accept the Actuary Report as presented to the Board. Secretary Jamie Link seconded the motion. Motion carried.

2022 Assessment Rate Recommendation: Lisa King

9. Ms. Lisa King made a presentation detailing the statutory requirements followed to establish the 2022 rate. Based upon the actuary information and statutory requirements, Ms. King stated the recommendation for the 2022 Special Fund Assessment Rate on all employers be 6.94%, the Coal Fund Assessment Rate be 0% and tonnage be \$0.00 cents per ton. All rates will be effective on January 1, 2022.
10. Secretary Jamie Link made a motion to approve the Special Fund Assessment Rate of 6.94%. Mr. Mark Isaacs seconded the motion. Motion carried.
11. Secretary Jamie Link made a motion to approve the Coal Fund Assessment Rate of 0% and \$0.00 cents per ton. Ms. Katie Smith seconded the motion. Motion carried.

Coal Workers' Pneumoconiosis Fund Liability Update: Tim Feld, KEMI

12. Mr. Tim Feld, on behalf of KEMI and Jon Stewart, provided an update on the Coal Workers' Pneumoconiosis Liability.
13. Mr. Feld presented a brief review of the Coal Workers' Pneumoconiosis Loss Portfolio and Modified Cash Basis of Accounting and updated the Board on the status of claims through August 31, 2021.

Financial Audit for Fiscal Year 2021: Allen Norvell, Blue & Co., LLC

14. Mr. Allen Norvell thanked the Board for the opportunity to conduct the audit and expressed his appreciation to the Funding Commission and staff for their cooperation and assistance. Mr. Norvell introduced Mr. Ryan Adams, Manager,

who worked with the Funding Commission to complete the financial audit. Mr. Norvell reported Blue & Co. issued an unmodified opinion on the financial statements of the Funding Commission and for the fiscal year ending June 30, 2021. The audit disclosed no instances of noncompliance, which are material to the Funding Commission's financial statements. The audit disclosed no findings in accordance with the Government Auditing Standards.

15. Mr. Ryan Barrow made a motion to accept the Fiscal Year 2021 Audit as presented by Blue & Co. Ms. Katie Smith seconded the motion. Motion carried.

Investment Report: David Rogan, Conning, Inc. (report on file for referral)

16. Mr. David Rogan presented an update on the investment portfolio through August 31, 2021. He also discussed the current economic and future capital market outlook. Mr. Rogan also reported on the Self-Insurance Fund as of August 31, 2021.
17. Mr. Tim Feld stated he would like to compliment Conning and the Funding Commission Board on the job they are doing in making long-term decisions that have greatly benefited the work comp industry. He added the returns are pretty remarkable.
18. Secretary Jamie Link made the motion to accept the Investment Report as presented to the Board. Mr. Tim Feld seconded the motion. Motion carried.

Financial Report: Kim Hay (report on file for referral)

19. Mr. Kim Hay reviewed the year to date budget versus actual expenses for KWCFC, the year to date internal financial statements, and fiscal year to date interagency transfers made by KWCFC for the period ending August 31, 2021.
20. Mr. Ryan Barrow made the motion to accept the financial reports as presented to the Board. Mr. Tim Feld seconded the motion. Motion carried.
21. Mr. Hay also stated that the Commission works with Labor Finance closely and they maximize our available cash to be distributed monthly to the departments. Labor Finance observed, and this recommendation comes from them, that there is an opportunity each quarterly reporting period to invest \$5M (five million) thirty days sooner than it is currently done. Conning will comply with KWCFC investment policy in investing the five million. October is a reporting month and typically, \$15M (fifteen million) is received per quarter. Five million is used to fund October, and another five million funds departments on November 1st. This leaves the final five million that can be invested this quarter, on November 1st for thirty days before it is needed on December 1st. KWCFC will not get the same funds back but at the end of the month, instead mortgage payments that are coming into the portfolio will be used to return the five million. To summarize, four (4) times a year, \$5M (five million) will be invested 30 (thirty) days sooner than it is currently. Using a 2.5% return, it is estimated this proposal will increase interest annually by \$40K.

22. Mr. Tim Feld made the motion to authorize Funding Commission staff to invest an additional \$5M (five million) of assessments every quarterly reporting period in order to realize increased short term returns, providing funding transfer obligations to continue to be met. Ms. Katie Smith seconded the motion. Motion carried.

Audit & Collections Update: Lisa King (report on file for referral)

21. Ms. Lisa King presented an update on the number of audits ongoing and completed.
22. Mr. Ryan Barrow made the motion to accept the Audit and Collections report as presented. Secretary Jamie Link seconded the motion. Motion carried.

Executive Session:

23. Madam Chair Long asked for a motion to go into Executive Session under KRS 61.810 (1) (c), (f) and (j) to discuss litigation, personnel, and penalty waivers.
24. Mr. Tim Feld made the motion to go into Executive Session. Ms. Katie Smith seconded the motion. Motion carried.

Open Session:

25. Ms. Katie Smith made the motion to return to open session. Mr. Tim Feld seconded the motion. Motion carried.

Other Business:

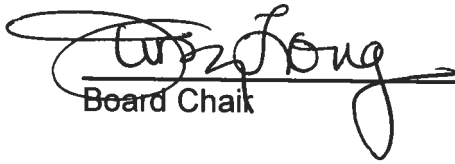
26. Mr. Tim Feld made a motion to grant authority to the Executive Director and General Counsel to enter into mediation with the Franklin Circuit Court and BrickStreet for purposes of negotiating a settlement regarding all audits and issues presently on appeal in Franklin Circuit Court. Ms. Katie Smith seconded the motion. Motion carried.

New Business:

27. No new business.

Adjournment:

28. Mr. Ryan Barrow made a motion to adjourn. Mr. Tim Feld seconded the motion. Motion carried.


Board Chair